

ENERGY EFFICIENCY PROGRAMS

PRESENTED TO

STATE AND LOCAL CLIMATE CHANGE PARTNERS

NOVEMBER 7, 2002



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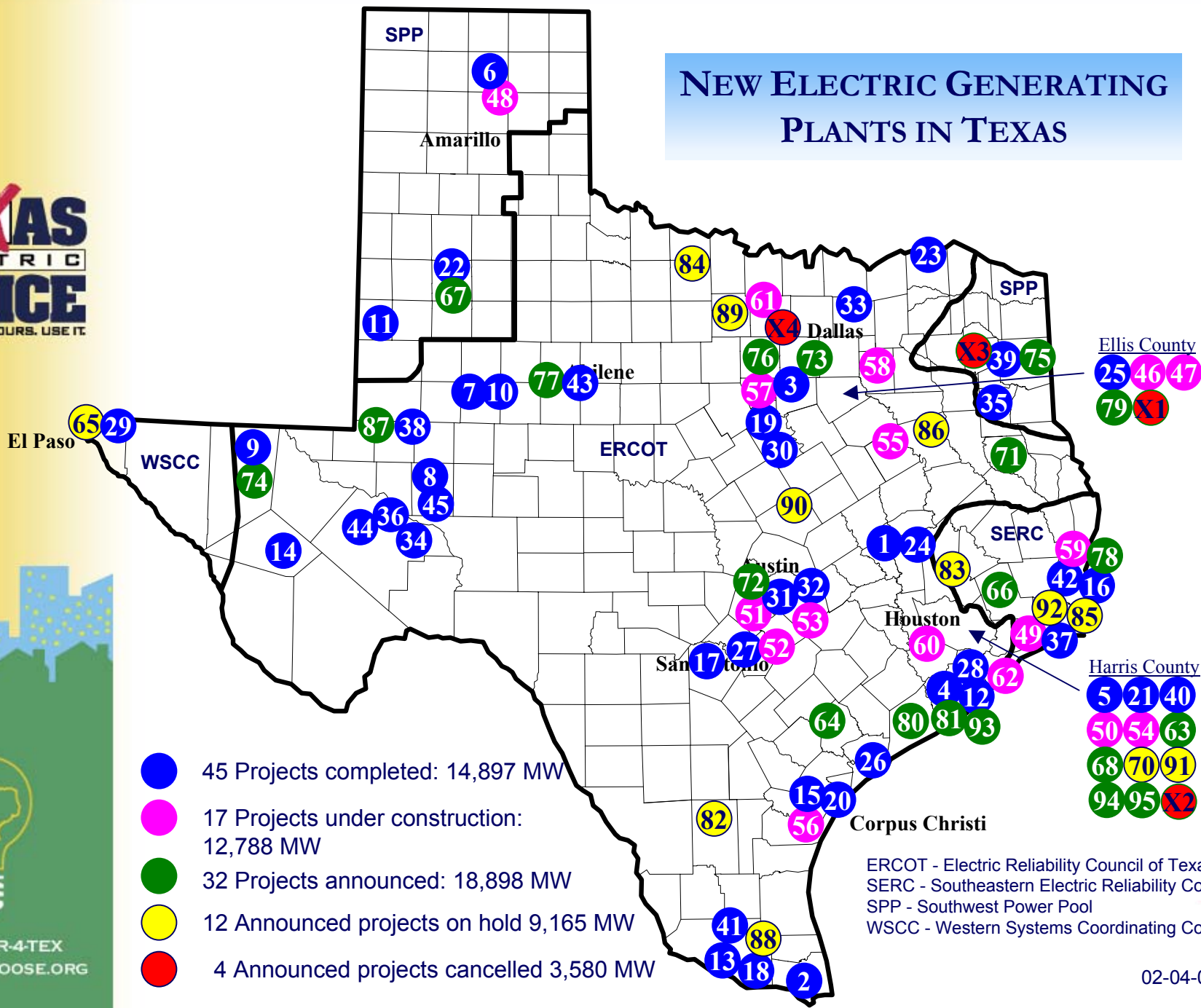
BACKGROUND

ELECTRIC EFFICIENCY PROGRAMS

- Retail competition in ERCOT began January 1, 2002 for investor-owned utilities
- Competition delayed in other areas
- Adequate supply of generating capacity
- Transmission limitations may result in regional and temporal price differences



NEW ELECTRIC GENERATING PLANTS IN TEXAS



ENERGY EFFICIENCY PROGRAMS

- Senate Bill 7 (1999 session) requires **utilities to conduct** energy-efficiency programs
- Senate Bill 5 (2001 session) requires **PUC to conduct** energy-efficiency grant program



CLEAN AIR PROGRAMS IN SB 7



- Renewable energy mandate
- Retrofit or shut-down of grandfathered gas and coal generating plants
- Energy efficiency program





SENATE BILL 7

ENERGY EFFICIENCY PROGRAM

- Utilities required to meet 10% of growth in demand through energy-efficiency programs
- Standard offers and market transformation programs
- Objective is to obtain cost-effective energy-efficiency programs from third parties



SENATE BILL 5

ENERGY EFFICIENCY PROGRAM

- PUC grant program
- Utilities in non-attainment areas and affected counties apply for grants
- Utilities may use standard offers or market transformation programs
- Funded from SB 5 revenues



PROGRAM EVALUATION



- SB 5 requires calculation of reduction in air emissions from SB 5 and SB 7 programs
- Energy efficiency to meet part of shortfall in State Implementation Programs for Houston-Galveston and Dallas-Fort Worth





ENERGY EFFICIENCY GRANT PROGRAM

OBJECTIVE

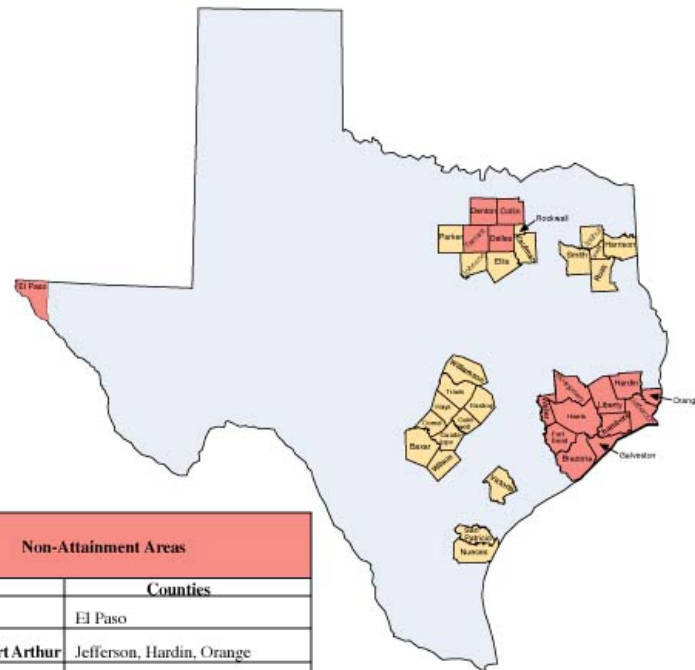
To contribute to the reduction in air emissions, in non-attainment and affected counties, by reducing electric demand and peak loads.



ELIGIBLE JURISDICTIONS



Table 2. Eligible Jurisdictions



Non-Attainment Areas	
Area	Counties
El Paso	El Paso
Beaumont/Port Arthur	Jefferson, Hardin, Orange
Houston/Galveston	Brazoria, Harris, Chambers, Liberty, Galveston, Montgomery, Fort Bend, Waller
Dallas Fort Worth	Collin, Dallas, Denton, Tarrant

Affected Counties			
Bastrop	Guadalupe	Parker	Upshur
Bexar	Harrison	Rockwall	Victoria
Caldwell	Hays	Rusk	Williamson
Comal	Johnson	San Patricio	Wilson
Ellis	Kaufman	Smith	---
Gregg	Nueces	Travis	---



LEGISLATION AND RULES



- Health and Safety Code §§ 386.201-386.205
(Senate Bill 5, 77th Legislature)
 - Develop a Grant Program
 - Finance Program with 7% of the TERP Fund
 - Funds may be Awarded to Electric Utilities, Electric Cooperatives and Muni-Owned Utilities
 - Administrative Cost NTE 10% of Budget
 - Obligations are Separate from PURA 39.905
(E.E. \geq 10% of Utility's Annual Growth in Demand)
 - Emissions Reductions May Not Satisfy State or Federal Laws or Regulations to Reduce Air Emissions
 - Provide Report to TCEQ Quantifying Reductions in Energy Demand, Peak Loads and Associated Emissions Achieved from SB5 Programs, as well as SB7





LEGISLATION and RULES (Continued)

■ Sub. Rules §§ 25.182 and 25.183

§ 25.182 Implementation Guidelines

- Utilize Templates Consistent with § 25.181
- Retire the Replaced Material and Appliances
- Eligibility Requirements
- PUC Administration
- Competitive Criteria
- Cost Effectiveness and Avoided Cost Requirements
- Incentive Levels Consistent with § 25.181

§ 25.183 Reporting Requirements

- April 1st Report to PUC Requirements of § 25.181
- Reduction in Peak Demand and Energy Consumption for SB 5 and SB 7 Programs
- File Proprietary Data in Accord with § 22.71
- PUC to Report Annually to TCEQ



REVENUE ANTICIPATED



Five Fees and Surcharges = **\$11 Million**

- Construction Equipment
- Retail Sale or Lease of Pre-1997 On -Road Diesel Motor Vehicles Exceeding 14,000 pounds
- Truck-Tractor or Commercial Vehicle Registration Surcharge
- Commercial Motor Vehicle Inspections
- Registration Fee on Vehicles Coming to Texas
AKA - Greensheet Fee [**68% of TERP Fund**]





PILOT YEAR PROGRAM 2002

- **Implementation Challenges**

1. Restructuring of Electric Market
2. Revenue Slow Coming
3. Abbreviate Timeframe
4. Estimate Air Emissions Reductions

- **Outreach**

- **Application Process**

- **Criteria for Evaluation**



REVENUE RECEIVED



REVENUE	REVENUE COMMITMENTS
\$1,380,836	<p>\$215,000 administration</p> <p>\$267,950 Grant Award Commitments:</p> <ul style="list-style-type: none">▪ \$200,000 load management program (Reliant)▪ \$67,950 commercial lighting program (Entergy)





CRITERIA FOR EVALUATION

- **Quantify Reductions of Electric Consumption and Production**
Maximum Points: 30
- **Where Programs are Offered**
Maximum Points: 15
- **Cost and Benefits**
Maximum Points: 15
- **Service Area Sources of Electricity**
Maximum Points: 20
- **Ability to Complete Project within Prescribed Timeframe**
Maximum Points: 10
- **Additional Criteria**
Maximum Points: 10





ELECTRICAL UTILITY PARTICIPATION

Four Proposals from Three Non-Attainment Areas

- Two Proposals Selected for Funding
- \$67,950 Commercial Lighting Entergy Proposal
- \$200,000 Load-Management Reliant Proposal

Proposed Energy Reductions

- Entergy 150 kW and 1,300,000 kWh Reductions
- Reliant 2.12 MW Peak Load Reduction



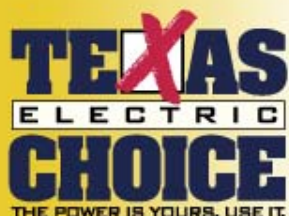
ESTIMATING EMISSION REDUCTIONS

The PUC, TCEQ and the EPA developed a simplified model to estimate emissions reductions resulting from the SB 5 Energy Efficiency Grant Program and those mandated by SB 7.

It is possible that additional modeling of the impact of energy-efficiency on air emissions may be needed.



EMISSION REDUCTIONS



- *SB 5 Results*
\$67,950
- *2.028 tons NO_x*
Reduction
- *Net Cost =*
\$19,403 per ton
Net Project Life =
-\$4,638 per ton
- *Gross Cost = \$33,506*
per ton
Gross Project Life =
\$3,351 per ton

- *SB 7 Results*
\$43,856,823
- *415 tons NO_x*
Reduction
- *Net Cost =*
\$92,727 per ton
Net Project Life =
\$3,196 per ton
- *Gross Cost =*
\$105,794 per ton
Gross Project Life =
\$10,579 per ton



Future Activities Summary



Request for Proposals

January 2003

\$ 1.5 Million





REFERENCE DOCUMENTS

[www.puc.state.tx.us/electric/
projects/25309/25309.cfm](http://www.puc.state.tx.us/electric/projects/25309/25309.cfm)



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